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Sept. 6, 2001

Contact: Charles Keegan, UM Bureau of Business and Economic Research, (406) 243-5113.

DOWNTURN IN LUMBER PRICES IMPACTS INDUSTRY EMPLOYMENT, PAYROLLS

MISSOULA —

While Montana's lumber production increased slightly during the second quarter of 2001, employment and payrolls declined slightly because of a downturn in lumber prices late in the quarter, lingering impacts of increased energy costs and continuing soft prices for a number of products, according to a University of Montana researcher.

Charles Keegan, director of forest industry research at UM's Bureau of Business and Economic Research, said the unexpected steep increase in lumber prices in April and May was unable to substantially boost production and employment figures because it was followed by an equally steep decrease in June, surrendering more than half the price gain since January.

During the second quarter of 2001, Montana's forest industry employed 4,028 production workers, down 194 in the first quarter of 2001. Many of the job losses can be attributed to temporary layoffs at the Smurfit-Stone linerboard mill in Frenchtown because of a combination of high energy costs and low paper prices, Keegan said.

Production worker wages were \$36.9 million in the second quarter of 2001, down from

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\$38.6 million during the first quarter of 2001.

Compared with the first quarter of 2001, Montana's lumber production in April, May and June 2001 was up 1 percent, from 279 million board feet to 284 million board feet. Plywood production increased from 142 to 145 million square feet in the second quarter of 2001.

Keegan said the outlook for the remainder of the year, although uncertain, shows indications that there will be improvements in operating conditions.

Smurfit-Stone Container recently announced it expects to increase production and employment for the next few months. At the national level, construction activity remained strong through July despite weaknesses in the U.S. economy. Keegan said power costs -- although high by historical standards -- have declined and paper prices have stabilized.

In addition, the recent preliminary tariff on Canadian softwood lumber has temporarily boosted lumber prices. Softwood lumber prices increased slightly with the imposition of the tariff. However, Keegan said that a long-term agreement on the U.S. and Canadian softwood lumber issue may not be reached anytime soon.

These figures refer only to Montana production workers at timber-processing facilities and plants processing wood fiber residue from timber-processing facilities. Production workers account for 40 percent to 50 percent of the workers in Montana's forest products industry. Estimates do not include the several thousand workers in logging, trucking and other related jobs.

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